



Request for City Council Committee Action From the Finance Department

Date: March 24, 2003
To: Ways and Means Committee

Referral to: IGR Committee (*recommendation #4 only*)

Subject: Travel Policies

Recommendations:

1. Adopt the revised City Policy on Overnight Travel (Attachment A), to be effective June 1, 2003.
2. Adopt the new City Policy on Local Travel (Attachment B), to be effective upon signature by the Mayor.
3. Direct Finance Department staff to implement agreements to use the University of Minnesota's travel agencies for City business trips during 2003-2005. Under this recommendation, the University's selections from their recent RFP process would replace the City's current vendors as the "City-preferred" travel agencies.
4. Refer the topic of Minnesota Statutes Section 15.435 regarding public employees and "frequent flyer" miles to the IGR Committee.

Previous Directives: None.

Prepared by Rebecca Law, Management Analyst, 673.3252

Approved by: Patrick Born, City Finance Officer _____

John Moir, City Coordinator _____

Presenters in Committee: Patrick Born or Rebecca Law

Financial Impact <input checked="" type="checkbox"/> No financial impact - or - Action is within current department budget. <input type="checkbox"/> Request provided to the Budget Office when provided to the Committee Coordinator
Community Impact <input checked="" type="checkbox"/> Not applicable

Financial and Policy Overview

City-paid business trips for elected officials and employees account for a very small portion of the City's budget. During the past 5 years, the average number of business trips was 700 per year with each trip averaging \$900 in City costs. Total travel expenditures were approximately \$630,000 per year.

The essential principles underlying the updated travel policies and procedures are:

1. Prompt reimbursement for reasonable and documented expenses.
2. All business trips and the related expenses must primarily serve a public purpose, rather than a private purpose.
3. Administrative control over travel expenses is most efficiently achieved through Department control of its travel budget, rather than by intensive monitoring by Finance staff of each reimbursement request.
4. The IRS rules on business travel expenses are incorporated so that expense reimbursements do not become taxable income for travelling employees.

The more-detailed travel procedures and forms have also been updated and will be available to employees through the *CityTalk* web-site.

Recommendation # 1: Adopt the revised City Policy on Overnight Travel, to be effective June 1, 2003. (See Attachment A for details).

Summary of Major Changes in the Overnight Travel Policy

Meals and Incidental Expenses (M&IE): The current method is to pay actual expenses up to a maximum of \$50 per day. The new method will adopt the M&IE payment schedules used by federal government employees and approved by the IRS as "reasonable reimbursements." The federal rates are currently \$30 – 46 per day, depending on the destination. The federal government annually adjusts the per diem rates and posts them at www.policyworks.gov.

Approval of Travel Expenses: Finance staff has historically been the group that scrutinized all travel expenses for proper documentation and for policy compliance regarding expenditures of public funds. The new policy recommends that this responsibility be transferred to Department Heads so they can monitor their travel budget in the same way they manage other parts of their departments' budget. Finance staff will conduct random reviews of travel expenses, but will no longer audit every travel expense report prior to reimbursement. The Department Head's signature (or their designee) will become the only authorizing certification required before a particular travel expense is paid.

Removal of the "10 day travel restriction": The current Travel Policy states that an employee's travel time is limited to ten working days per year unless the traveler's

department head sends written notification of an extension to their home Committee Chair. These notifications have been handled only as “receive and file” items for the Council Committees. No “travel extension” notification letters have been challenged or denied in the past few years.

Finance staff recommends the elimination of both the “10 day travel restriction” rule and the Council Committee notification procedure. The rationale is that Department heads are the best judges of appropriate levels of employee travel, based upon staff training needs and budget resources. This change acknowledges that Department Heads are responsible for prudently managing travel expenses, just like any other part of their operating budget. Council oversight of travel matters, if desired, can be better accomplished through the budget process and through the periodic summary reports submitted to the Ways & Means Committee.

Recommendation #2: Adopt the proposed City Policy on Local Travel, to be effective upon signature by the Mayor. (See Attachment B for details).

The City has long reimbursed employees for mileage and parking expenses incurred while conducting City business, but there has never been a written policy on local travel. The “Local Travel and Reimbursements Policy” (Attachment B) and its related procedures conform to the Internal Revenue Service rules so that these reimbursements will not become taxable income for employees.

Recommendation #3: Direct Finance staff to implement agreements to use the University of Minnesota’s contracts as the new “City-preferred” travel agencies, replacing the current vendors.

Since 1994, the City has had two “official” travel agencies chosen through a Request for Proposals (RFP) process - Kaju Travel Center and Hobbit Travel. A City credit account was created with these two agencies so employees could make travel reservations through them and have the expenses charged directly to the City. Otherwise, travelers are free to use any travel agency for their trip arrangements so long as employees initially pay for the costs themselves and get City reimbursement later, after the trips are completed.

Although the City is not required to issue RFP’s to select travel agencies, competitive selection procedures and periodic reviews of existing City business partnerships exemplify best practices in procurement systems. Staff recommends that the City take advantage of the recent RFP process jointly completed by the State of Minnesota and the University of Minnesota. That process selected three travel agencies for the years 2003-2005. They are:

1. AAA Minnesota/Iowa Travel – Twin Cities
2. University Travel – (business certified by the MN Minority Supplier Development Council)
3. Corporate Travel Services – (business certified by State of MN as a woman-owned business)

Using the University's vendors for the next 3 years saves City staff time and results in lower charges for the services. For example, the 3 agencies used by the University have "per ticket" charges ranging from \$18 to \$32 each. The two travel agencies used by the City currently have a "per ticket" fee of \$39 (Hobbitt) and \$50 (Kaju). Council adoption of this recommendation means that Kaju Travel and Hobbitt Travel would no longer be "City-preferred" travel agencies and their credit accounts for City employees would be cancelled. Credit and billing arrangements would instead be made with the new travel agencies. But just like the present system, employees could still use any other travel agency or direct-booking method so long as they are willing to initially fund the cost themselves.

Travelers on City business will also be encouraged to use Internet travel vendors for making their travel reservations, such as Expedia, Travelocity and Orbitz. These vendors currently charge a processing fee of \$10-\$15 per airline ticket. The Finance Department is now working on new methods of making travel-related purchases, such as each department having its own credit card account. Staff will be submitting recommendations to the Ways & Means Committee on new credit account options for City travel within the next three months.

Recommendation No. 4: Refer the topic of the state law regarding public employees and "frequent flyer" miles to the IGR Committee.

The current Travel Policy incorporates the requirements of a 1992 state law (MN Statutes section 15.435) that prohibits business travelers using public funds from keeping any "frequent flyer" miles for their personal use. The law also requires state and local governments to maintain a tracking system for the "earned miles" (which have a market value of 2 cents per mile). This detailed recording requirement for an item of minimal value has been criticized as inefficient by several Minnesota organizations.

The proposed Policy on Overnight Travel maintains the City's compliance with the state law. But the revised procedures seek to minimize the administrative burden of Finance staff and City travelers by creating easier methods for reporting the frequent flyer miles earned through travel on City business.

Staff is recommending that the general topic of the "frequent flyer miles" state law be referred to the Inter-Governmental Relations (IGR) Committee only because this matter may surface during the current legislative session. For example, the Association of Minnesota Counties (AMC) includes this topic under their "general government" legislative initiatives and states:

AMC supports allowing Minnesota counties to meet the same standards as the federal government's policies on airline travel credit in order to eliminate burdensome reporting requirements.

The recommendation for referral to the IGR Committee is to simply provide this information to the proper Council committee within the context of the travel policy discussions.

ATTACHMENT A
City of Minneapolis
OVERNIGHT TRAVEL POLICY
for City Employees and Officials

1.0 Policy Purpose

The City of Minneapolis recognizes the need for business travel by its employees and its elected or appointed officials (hereafter “officials”) and through this policy, assigns the responsibilities connected with overnight business trips.

2.0 Policy Scope

This Travel Policy applies to all overnight business trips by City of Minneapolis employees or officials. The City’s Ethics Policy shall be incorporated into this Travel Policy by reference.

3.0 Public Interest Requirement

The primary purpose of all travel must serve a public interest related to the City of Minneapolis government. Business travel satisfies the “public interest” requirement if the authorized trip’s primary purpose is to accomplish work-related tasks or for professional development.

4.0 Travel Expenses and Reimbursements

All travel expenses must be approved by an authorized signatory in the traveler’s department. An authorized signatory is any person in a job title that is identified as a “position authorized to sign contracts” according to the Finance Department records. The City will reimburse appropriate and documented business expenses incurred while traveling as a City of Minneapolis representative.

5.0 Policy Responsibilities

5.1 Mayor/City Council

The Mayor and City Council will set travel policies for the City of Minneapolis employees and officials.

5.2 Finance Officer

The City Finance Officer shall propose travel policies to the Mayor and City Council. The City Finance Officer shall also develop, revise and publish administrative rules and procedures to implement the adopted policies. Those rules and procedures shall be incorporated into the Overnight Travel Policy by reference. The Finance Officer is responsible for interpreting the Travel Policy and for making recommendations to the elected officials on methods of purchasing travel services. The Finance Officer will ensure that employee reimbursements are timely, and that travel expense reports and payments are periodically reviewed for financial

accuracy and for consistency with City policies. The Finance Officer must report information to the Mayor and City Council regarding material violations of the City's Travel Policy or other related financial policy covering the expenditure of public funds.

5.3 Department Heads

Department heads are responsible for ensuring that employee travel is for City business and is consistent with City policies and procedures. This responsibility includes directing the trip timing, transportation and lodging choices so as to maximize savings and employee safety, while providing for reasonable convenience for the traveler. Department heads shall authorize travel within and outside the continental U.S., authorize travel for prospective employees, and approve travel expense payments. Department heads may choose to implement more stringent travel policies and procedures for management purposes.

5.4 Traveler

Before the business trip, the traveler must review the City's Overnight Travel Policy and Ethics Policy, as well as the related procedures. The traveler shall maximize the benefit of business travel by attending all official events or conference sessions that accomplish the primary purpose of the trip. Travelers are responsible for following the City's policies and procedures and must promptly submit Travel Expense Reports with the appropriate documentation. Failure to comply with the City's policies and procedures could result in payroll deductions and IRS tax consequences. Travelers are also responsible for obtaining refunds, exchanges or credits for unused travel-related items. This responsibility includes taking all reasonable steps to insure that the City does not incur unnecessary expenses due to changes in travel plans.

6.0 Effect on Other Policies

This policy supercedes any and all previous City of Minneapolis policies on business travel unless the exception is listed below.

6.1 City Council Resolution 98R-499 encouraging City employees to schedule their business flight arrival and departure times during the hours of 7 a.m. and 10 p.m. The Resolution's goal is to prevent public dollars from paying for flights that disturb residential neighborhoods during sleeping hours.

6.2 Local travel for business purposes is governed by the City's Local Travel Policy.

6.3 This Policy does not apply to the Police Department's business travel account for crime investigations.

6.4 This Policy does not apply to travel expenses incurred by consultants performing work on behalf of the City of Minneapolis. Those items are governed by the City's contract management policies and procedures.

ATTACHMENT B
City of Minneapolis
LOCAL TRAVEL AND REIMBURSEMENTS POLICY
for City Employees and Officials

1.0 Policy Purpose

The City of Minneapolis recognizes the need for local business travel by its employees and by its elected or appointed officials (hereafter “officials”) and through this policy, assigns the responsibilities connected with local travel for government business purposes.

2.0 Policy Scope

This Local Travel Policy applies to business travel expenses incurred by City employees and officials when the trip does not involve overnight travel. The City’s Ethics Policy shall be incorporated into this Policy by reference.

3.0 Public Interest Requirement

The primary purpose of all local travel must serve a public interest related to the City of Minneapolis government. Business travel satisfies the “public interest” requirement if the authorized trip’s primary purpose is to accomplish work-related tasks or for professional development.

4.0 Travel Expenses and Reimbursements

4.1 All travel expenses must be approved by an authorized signatory in the traveler’s department. An authorized signatory is any person in a job title that is identified as a “position authorized to sign contracts” according to the Finance Department records. The City will reimburse appropriate and documented business expenses incurred while traveling as a City of Minneapolis representative.

4.2 Local transportation expenses that may be reimbursable include business mileage and parking fees for the following types of trips:

- a)** Going between two City of Minneapolis government facilities or job-sites, all within the scope of City employment.
- b)** Going to or from a City-related business meeting, training session or temporary workplace away from your regular City workplace(s).

5.0 Policy Responsibilities

5.1 Mayor/City Council

The Mayor and City Council will set travel policies for the City of Minneapolis employees and officials.

5.2 Finance Officer

The City Finance Officer is responsible for interpreting the Local Travel and Reimbursements Policy and shall develop, revise and publish administrative rules and procedures to implement the adopted policy. Those administrative rules and procedures shall be incorporated into this Policy by reference.

5.3 Department Heads

Department heads are responsible for ensuring that local travel is for City business and is consistent with City policies and procedures. Department heads or their authorized signatories shall approve expense payments for local travel. Department heads may choose to implement more stringent travel policies and procedures for management purposes.

5.4 Travelers

Travelers are responsible for following the City's policies and procedures and must promptly submit requests for reimbursement with the appropriate documentation.

6.0 Effect on Other Policies

This policy supercedes any and all previous City of Minneapolis policies on business travel unless an exception is listed below.

6.1 Any City of Minneapolis ordinance related to local travel or parking by employees for business purposes shall supplement this policy if there is no conflict between the ordinance and this policy. Any relevant ordinance shall supercede this policy if there is a conflict.

6.2 Overnight business travel by City employees and officials is governed by the City's Overnight Travel Policy.

6.3 Historically, Council members and their staff have not received any mileage reimbursement because local travel was a required part of their job duties and because the salaries had been previously increased to account for this business expense. This rule was modified on April 21, 2000 through the following Council action:

“[Council Member Joan] Campbell moved that when traveling outside the seven county area on City related business, Council Members and their staff be reimbursed for mileage at the federally authorized rate.” (The seven-county metropolitan area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.)

6.4 This Policy does not apply to the Police Department's business travel account for crime investigations.

6.5 This Policy does not apply to travel expenses incurred by consultants performing work on behalf of the City of Minneapolis. Those items are governed by the City's contract management policies and procedures.